

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 EB-07 /018 W
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P 030407Z JUN 75

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC PRIORITY 1180

C O N F I D E N T I A L MUSCAT 629

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E.O. 11652: GDS

TAGS: BEXP, BGEN, MU

SUBJECT: PRICING OF PIPE

REF: STATE 126788

FOR NEA/ARP

1. WHEN I FURTHER DISCUSSED PIPE ISSUE WITH SHARIF LOTFY ON JUNE 2, HE ACCEPTED WITH DISAPPOINTMENT BUT EQUANIMITY OUR INABILITY TO PROVIDE REQUESTED PRICING INFO. THIS ASSUMPTION WAS THAT MANNESMANN HAD ALERTED KAISERHBO PROBLEM WITH OMANGOV AND THAT MANUFACTURER THEREFORE RELUCTANT TO REVEAL INFORMATION WHICH MIGHT BE PREJUDICIAL RE FUTURE DEALS WITH MAJOR GERMAN CLIENT. (N.B. REVERSE SEEMS TO HAVE BEEN THE CASE RE INITIATIVE--USDOC 7995.)

2. LOTFY WAS SKEPTICAL ABOUT REPORTED MAGNITUDE OF DROP IN MARKET PRICES BETWEEN SEPT. 1974 AND MAY 1975. IF THIS WAS EVEN CLOSE TO CITED 50 PERCENT, IT WOULD BE PUBLICLY-AIRED ECONOMIC NEWS WITH GRAVE FINANCIAL IMPLICATIONS EVEN FOR MAJOR PRODUCERS. IN SHORT, HE DOUBTS THAT DECLINE COULD HAVE BEEN MORE THAN PERHAPS 20-25 PERCENT AT MOST. ALTHOUGH I DID NOT REVEAL KAISER'S INITIAL INCLINATIONNLO BE HELPFUL IN RESALE, LATER WITHDRAWN AFTER CONSULTATION WITH MANNESMANN, SUCH A RENEGE ALSO MAKES EMBASSY QUESTION WHETHER MARKET IS AS BAD AS STATED.

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3. IN DISCUSSING PROBLEM FURTHER, LOTFY STATED THAT HE NOW HAS

REASON TO BELIEVE THAT OMANGOV MAY HAVE CONTRACTED WITH MANNESMANN FOR DOUBLE THE MARKET PRICE AT TIME OF PURCHASE. PART OF HIS SUSPICION IS BASED ON FACT THAT GERMAN COMPANY HAS NOT FOLLOWED "NORMAL" BUSINESS PRACTICE OF JUSTIFYING PRICE TO CUSTOMER BASED ON HIGH ACQUISITION COSTS. SEVERAL TIMES DURING CONVERSATION, LOTFY USED TERMS SUCH AS "UNETHICAL", "SWINDLERS", AND "RIP OFF" TO APPLY TO MANNESMANN (AND, ALTHOUGH NOT SPECIFICALLY NAMED, THOSE WHO ARRANGED DEAL ON BEHALF OF OMANGOV).

4. ACTION REQUESTED: ABOVE IS BY WAY OF EXPLAINING THAT LOTFY STILL IS SEIZED WITH PROBLEM OF HOW TO GET OMANIS OFF THE HOOK AT LOWEST COST. EMBASSY URGES THAT USG BE AS HELPFUL AND RESPONSIVE AS POSSIBLE, AND ACCORDINGLY SUGGESTS FOLLOWING COURSE OF ACTION. COULD DEPARTMENT GO TO ALTERNATE MANUFACTURER (PERHAPS US STEEL, BETHLEHEM, ETC.) AND GET ROUGH PRICING INFORMATION AS OF LATE SEPT, 1974, FOR COMPARABLY SIZED PIPE? INFORMATION SEEMINGLY SHOULD BE RELATIVELY PUBLIC--PRESUMABLY EVEN USDOC MIGHT COLLECT SUCH DATA ON A REGULAR BASIS, PERHAPS AS PART OF AN EFFORT TO GAUGE U.S. EXPORTS. APPROACH SUCH AS THAT PROPOSED SHOULD BE POSSIBLE WITHOUT GOING INTO DETAILS BEYOND STATING THAT USG INTERESTED IN SUPPLYING INFO TO FRIENDLY GOVERNMENT. EMBASSY RECOGNIZES THAT FIGURES WOULD BE ORDER-OF-MAGNITUDE ONLY, GIVEN PECULIAR SPECIFICATIONS OF KAISER-MANNESMANN-OMANGOV DEAL, BUT EVEN SO THIS WOULD HELP LOTFY DETERMINE HOW BADLY OMANIS WERE TAKEN AND, HENCE, WHAT SORT OF ARRANGEMENTS THEY MIGHT HOPE TO RENEGOTIATE. READINGS SOUGHT ON COST PER METER FOR PIPE AS BELOW:

DIAMETER	THICKNESS	QUANTITY
10 3/4"	0.219"	202,800 METERS
10 3/4"	0.307"	98,860 METERS
8 5/8"	0.188"	78,860 METERS

5. DEPARTMENT'S EVALUATION OF WHAT HAS HAPPENED TO MARKET OVER INTERVENING EIGHT MONTHS, PLUS ANY PREDICTIONS FOR EARLY CHANGES IN MARKET SITUATION, ALSO WOULD BE MOST USEFUL.
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 03 JUN 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MUSCAT00629
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750192-1141
From: MUSCAT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750686/aaaadawl.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 75 STATE 126788
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 18 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 AUG 2003 by BoyleJA>; APPROVED <03 DEC 2003 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PRICING OF PIPE
TAGS: BEXP, BGEN, MU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006